ZURICH

Commentary on full year results 2021

Slide 3: Key messages

The Group's disciplined approach to underwriting and a favorable market backdrop led to a strong recovery in business operating profit exceeding pre-COVID levels. Business operating profit (BOP) increased 35% compared to the prior year and 8% compared to 2019, driven by strong underlying results, reduced impact from COVID-19 and favorable FX movements, which more than compensated for a higher level of weather and natural catastrophe events.

Improved customer metrics supported growth in the year. The Group continued to execute on its customer focused strategy, with this leading to a further increase in Net Promoter Score in most of the Group's largest retail markets. As a consequence of this strategy, the number of customers increased by 2.2 million to just over fifty-five million, supporting strong growth in retail property and casualty business (P&C) and improved life sales.

The Group's P&C business is well placed for continued success. The reshaping of the Group's portfolio over previous years together with continued disciplined underwriting have positioned the Group well to benefit from the current upswing in the pricing cycle. Gross written premiums increased 11% on a like-for-like basis, adjusting for FX movements, acquisitions, and disposals, with growth across both retail and commercial lines. The Group's combined ratio improved to 94.3%, the lowest level in the past 15 years, despite around 3 percentage points of natural catastrophe losses in excess of normal levels. The reduction was driven by an underlying improvement in underwriting profitability, as higher prices earned into the results, increased reserve releases, as well as an improved net impact from COVID-19 compared to the previous year.

The Group's Life business continued to execute on its strategy of focusing on protection and capital light savings business. This strategy supported improved margins and a strong full year performance, with Life BOP of USD 1,812 million up 27% versus the prior year. On a like-for-like basis, business operating profit grew 20% driven by portfolio management actions and favorable claims experience which led to margin improvements in Asia Pacific and Europe, supported by profitable growth in Latin America and Europe. Other drivers were positive one-off benefits of around USD 150 million and favorable market impacts. The quality of new business growth remained high with more than 90% of annual premium equivalent (APE) sales from protection and capital light savings products. Life APE sales production returned to growth with 5% increase on a like-for-like basis, while new business value improved by 21% on the same basis.

Growth accelerated at Farmers Exchanges. Improved agency performance and customer metrics supported growth at the Farmers Exchanges, with growth of gross written premiums up 7% on a like-for-like basis and 20% including the acquired MetLife U.S. P&C business.

Business operating profit at the Zurich owned Farmers businesses rose 8%. Growth at Farmers Management Services was 12% including 7 points from the first-time inclusion of the acquired MetLife U.S. P&C business. This was partially offset by a decline in business operating profit at both Farmers Life and Farmers Re due to higher mortality related to COVID-19, combined with catastrophe losses and adverse prior year development at Farmers Re.

The Group's SST capital ratio improved by 31ppts over 2021 to a very strong 212%, well above the Group's target level of 160% or above.

Slide 4: Key highlights – Group on track to meet or exceed 2022 targets

The Group is on track to meet or exceed the 2020-2022 financial targets.

- The annualized 2021 BOPAT ROE equated to 14.0% as reported including above normal levels of natural catastrophe losses and COVID-19 related items.

- Cash remittances for 2021 amounted to USD 4.4 billion, with the cumulative cash remittances over the past two years expected to be in-line with the run-rate to achieve the target for the 2020-2022 period of in excess of USD 11.5 billion.

- The Group's diluted earnings per share grew 7.3% p.a. since 2019 to CHF 31.68 in 2021. Based on current earnings trends management remains confident of achieving the target of at least 5% p.a. compound growth by 2022.

- As of Q4-21, the Group's Swiss Solvency Test ratio was estimated at 212%, well in excess of the Group's SST target capital ratio of 160% or above.

Slide 5: Key highlights - Execution of Group strategy drives strong performance across all businesses; FY-21 BOP at pre-pandemic levels

Group profitability rebounded strongly in the year exceeding pre-pandemic levels despite higher natural catastrophe losses and continued COVID-19 related impacts. FY-21 Group BOP was 35% higher than in FY-20, with the increase driven by strong underlying improvement in both P&C and Life.

P&C gross written premiums were 13% above the level of 2020. Life APE was 5% higher compared to the level of 2020, adjusting for disposals and reclassifications, while gross written premiums of the Farmers Exchanges were 7% higher after adjusting for the acquired MetLife U.S. P&C business.

The strength of the results across all business lines demonstrates the success of the Group's strategy and positions the Group well for continued growth and to achieve the Group's 2022 targets.

Slide 6: Key highlights - Robust growth Commercial and Retail and SME Insurance, driven by higher premium rates and net new business

The Group's P&C gross written premiums rose 11% in FY-21 on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals, with robust growth both in Commercial Insurance and Retail and SME.

In Commercial Insurance, growth was driven by higher premium rates and net new business, partially offset by lower exposure resulting from tighter terms and conditions, as the Group continued to focus on portfolio quality, and customers actively managing their insurance spend.

In Retail and SME growth was primarily driven by net new business, as the Group continued to increase its customer base.

Slide 7: Key highlights – In Retail, increased customer satisfaction drives higher retention and net customer growth

Through 2021, the Group maintained its priorities of protecting employees through the pandemic while supporting customers and the communities in which it operates; and executing on the Group's customer focused strategy. As a result of this strategy, the Group has continued to see further improvements in the net promoter scores of almost all of its main retail business.

As previously indicated, management believes that the net promoter score is a lead indicator of higher retention and growth for retail insurance. In 2021 retail premium retention levels increased in all regions, and the Group added 2.2 million net new retail customers, equivalent to customer growth of over 4 percent since the beginning of the year, of which about 1.6 million in the second half.

As indicated at the 2019 Investor Day, the Group has also published an update on brand consideration, available on page 36 in the appendix.

Slide 8: Key highlights – Disciplined execution drives outstanding financial results in Commercial Insurance

The Group's leading Commercial Insurance business, which represents 67% of the Group's P&C gross written premiums, delivered outstanding financial results in 2021, and we have a positive outlook for 2022. Actions taken in 2016-2019 positioned the Group well to take advantage of the current improvement in global commercial lines pricing, and delivered balanced growth, improved profitability and lower volatility.

Net earned premiums increased 13% in constant FX. Rate increases remained strong in all regions and well ahead of claims inflation. The combined ratio has improved by 13 percentage points since 2017 to 94% in FY-21, with improvement across all regions, and large losses volatility has reduced. As a result, the Commercial Insurance contribution to Group BOP improved steadily with the stronger underwriting result more than offsetting lower investment result.

Slide 9: Key highlights – Strong Life result from continued execution of long-term strategy to focus on protection and capital light savings products

The Group's Life business delivered a strong performance in 2021 with continued focus on the execution of its long-term strategy to grow protection and capital light savings products. New business production returned to growth with an increase in annual premium equivalent (APE) sales of 5% on a like-for-like basis, benefiting from strong sales growth through the independent financial adviser, broker, and agency channels, as well as the Group's bancassurance partners in Latin America and Spain. Growth was driven primarily by higher APE sales volumes in unit-linked and protection products, which together with corporate savings business, accounted for more than 90% of APE sales in 2021.

New business value of USD 959 million improved by 21% compared to prior year on a like-for-like basis, benefiting from favorable sales mix towards protection and unit-linked business and higher volumes in EMEA, Latin America and North America. On a reported basis NBV improved by 22%.

Business operating profit of USD 1,812 million was 27% above the prior year on a reported basis. On a like-for-like basis adjusting for currency movements, acquisitions and disposals, Life BOP improved by 20%, benefiting from the continued execution of the Group's strategy to focus on capital light products. This, together with portfolio improvement actions and favorable claims experience, led to margin improvements, which were supported by profitable growth in Latin America and Europe, positive markets, and favorable one-off effects.

Slide 10: Key highlights Farmers Exchanges - Growth in exclusive agents and improved productivity together with MetLife acquisition drive growth in gross premiums

Key customer metrics continued to improve on account of the Farmers Exchanges' customer focused strategy, with a further increase in Net Promoter Score, while retention remained stable compared with the prior year.

The Farmers Exchanges continued to strengthen their agency channel and invest in direct capabilities. As a result of these actions, the exclusive agency force grew by 2% compared to the prior year, while overall productivity increased. Strengthened sales capabilities across all channels led to higher new business sales.

Gross written premiums at the Farmers Exchanges increased 20%. Excluding the contribution of the MetLife U.S. P&C transaction which closed at the beginning of April 2021, gross written premiums increased 7%.

Slide 11: Key highlights – Accelerating our ambition and our delivery for a sustainable future

The experience of the global pandemic has shown the urgency of tackling the climate, social and technological challenges.

During the last year, we have increased our focus on these topics and have established ambitious decarbonization goals for our operations and investment portfolios.

We have strengthened our ambition to reduce exposure to the most CO_2 emitting industries fully phasing out of thermal coal from our insurance portfolio by 2030 in the developed world and by 2040 in emerging economies and to no longer underwrite new greenfield oil exploration unless there is a credible transition plan in place.

The support provided to our employees during the pandemic and our long-term goal to increase diversity and enhance training and career opportunities have maintained employee satisfaction at its highest levels since 2017.

We are increasing the transparency in our ESG reporting as part of the Integrated Sustainability Disclosures that will be published in the Annual Report on March 11.

Slide 12: Key highlights – We are executing on our strategy to improve our return on capital in P&C and Life

As we highlighted at our 2021 Investor Day the Group continues to look for opportunities to improve capital allocation. We noted that parts of our traditional life business produce lower returns than the Group average and also drive economic volatility in certain market conditions – in particular through rates and credit risk.

In January we announced the sale of our Italian life and pension back book which upon closing of the transaction should release USD 1.2 billion of SST target capital requirement principally through reducing credit risk. On a pro-forma basis this will increase the Group's SST ratio by 11 ppts.

Our priority for capital released from any optimization transactions will be to address any earnings dilution that may arise. Beyond this, we will look to allocate capital to opportunities that will drive growth in earnings and dividends.

Slide 13: Key highlights – Continued strong cash remittance; CHF 22 dividend proposed

During 2021, the Group continued to successfully convert earnings into distributable cash with overall Group remittances of USD 4.4 billion equivalent to more than 80% of net income attributable to shareholders.

During the year the level of remittances was driven both by operational earnings and remittances of excess capital that had built up over time from previously retained earnings in certain business units. Cash remittances from P&C were USD 0.9 billion higher than previous year reflecting higher operating earnings. Smaller variances in other businesses offset each other.

In line with the stated dividend policy to pay a dividend of ~75% of net income subject to a floor of the prior year level, the Board proposal to the AGM is to pay a dividend of CHF 22 per share, representing a 10% increase. It is proposed that CHF 1.65 will be paid out of the remaining capital contribution reserve with the balance of CHF 20.35 paid out of Group retained earnings.

Slide 16: Group – Business Operating Profit

Overall Group business operating profit increased strongly in 2021, with BOP growing 35%. Growth came from a strong underlying performance. The reduced impact from the COVID-19 pandemic more than offset higher weather and natural catastrophe losses.

Business operating profit in EMEA improved 19% in 2021 due to underlying improvement particularly in Commercial Insurance and reduced effects from the COVID-19 pandemic as well as a strong performance from the Life business. Zurich North America saw growth of 25% as a result of improved profitability in Commercial Insurance, favorable prior year development and reduced COVID-19 claims which more than compensated for higher natural catastrophe losses. Farmers grew by 8% which was aided by the acquisition of the MetLife U.S. P&C business. The Group's Asia Pacific business grew 84% driven by stronger profitability in the Australian life business and improved profitability in property and casualty business despite continued weakness at Cover-More, the Group's global travel insurance business. Earnings in Latin America remained stable largely due to adverse currency movements and higher excess mortality claims linked to the pandemic offsetting an overall improved business performance.

By business, P&C earnings increased 50% reflecting a combination of underlying underwriting improvement, increased prior year development, top-line growth, and an improved net impact from COVID-19, which together served to offset higher natural catastrophe losses. The BOP of the Group's Life business saw a 27% increase compared to 2020 driven by an improved underlying performance together with favorable market and positive one-off impacts, while the impact of COVID-19 was slightly above the prior year level. Farmers' results improved compared to 2020 with higher results at Farmers Management Services offsetting a weaker result at Farmers Life and Farmers Re. Costs related to Group Functions and Operations were higher in 2021 mainly due to financing costs related to the MetLife U.S. P&C business acquisition and unfavorable currency movements.

Slide 17: Group – Net income attributable to shareholders

Net income attributable to shareholders (NIAS) increased by 36% in 2021, driven by the growth in BOP and higher net realized gains on equities and real estate, which more than offset slightly higher charges for other items.

Net realized gains amounted to USD 1,547 million for 2021, compared to USD 1,080 million for 2020 and an expected run-rate view of USD 400 million to USD 500 million.

The effective tax rate was below normal expectations at 23.0% compared to 23.9% in prior year. The improvement was driven by a more favorable business and geographic mix of earnings.

Slide 18: Group – Outlook

P&C: The Group expects pricing to remain ahead of loss cost inflation in 2022, albeit with a likely moderation in the level of price increases especially in North America, which had seen double digit increases for two consecutive years. Pricing is expected to drive further improvement in underlying profitability and sustain mid-to-high single digit growth in net earned premiums in 2022.

The Group is focused on managing the volatility of underwriting results, with a range of actions well underway to reduce exposure to natural catastrophe losses, as presented at the 2021 Investor Day. We anticipate that the execution of these actions will further reduce volatility and avoid any significant rise in our exposure to catastrophe losses.

Continued low reinvestment rates are expected to lead to further erosion of P&C investment income excluding fair value gains on hedge-funds, with the decline in 2022 expected to be in the region of USD 50 million.

The P&C net non-technical loss is expected to be more in line with its normal run-rate of around USD 200 million, benefiting from a further improvement in the Cover-More operating result.

Life: Subject to market developments, Life BOP excluding Farmers is expected to see mid-single digit growth for 2022 relative to the reported BOP in 2021. Mortality claims related to COVID-19 are expected to fall.

Farmers: Gross written premium development at the Farmers Exchanges is expected to be in the high-single digits, while the Managed Gross Earned Premium margin of Farmers Management Services (FMS) is expected to remain around 7% excluding impacts from the MetLife U.S. P&C business acquisition.

Charges for Group Functions and Operations are expected to be in the range of USD 800-850 million for the full year, with this expected to remain in a similar range in future years.

Restructuring charges: For 2022, restructuring charges and other costs recognized outside of BOP are expected to at a similar level compared to 2021.

Tax: Based on current global tax rates, the Group effective tax rate for 2022 is expected to be around 24% to 25%.

Slide 19: P&C – Top-line

Property & Casualty gross written premiums marked a record high level of USD 40,123 million of for 2021, up 11% year on year on a like-for-like basis, after adjusting for currency movements and closed acquisitions and disposals. In U.S. dollar terms, gross written premiums rose 13%, with growth amplified by favorable currency movements.

Growth was supported by higher premium rates, driven by increases in Commercial Insurance across all regions. The Group's leading North American crop insurance business contributed about 2 percentage points to the overall P&C gross written premium growth as a result of higher prices for agricultural commodities.

Net earned premiums rose 10% on a like-for-like basis and 12% in U.S. dollars benefiting from the earn through of growth in gross written premiums.

In EMEA, gross written premiums increased 8% on a like-for-like basis compared with the previous year. In Retail, growth was driven by both personal lines and SME business, and benefited from a normalization of economic activity compared with the previous year. In Commercial Insurance, gross written premiums grew in all major markets, most notably in Switzerland and the UK, supported by rate increases.

North America grew 13% on a like-for-like basis compared to the previous year, with crop insurance contributing about 4 percentage points to growth as a result of higher prices for agricultural commodities. Growth benefited from rate increases of 12%, as well as higher retention and new business.

In Asia Pacific, gross written premiums rose 9% on a like-for-like basis compared to the previous year. This was driven by growth in Retail business most notably in Japan and Australia, which benefitted from a partial recovery of travel insurance, as well as growth in Commercial Insurance.

In Latin America, gross written premiums rose 18% on a like-for-like basis, with a strong rebound in all major businesses from the relatively low levels recorded in 2020 as a result of COVID-19-related restrictions.

Slide 20: P&C – BOP components

FY-21 P&C BOP was USD 3,121 million, 50% higher than in the previous year. The increase was driven by underlying improvement in underwriting profitability, as higher prices earned into the results, increased prior year development, top-line growth, as well as an improved net impact of COVID-19 compared to the previous year. In FY-21, lower claims frequency associated with COVID-19 restrictions more than offset the impact of COVID-19 related claims, operating losses in Cover-More, the Group's specialist travel and assistance provider, and voluntary actions to support customers. This resulted in a favorable impact of USD 150 million, compared to a USD 544 million adverse impact in FY-20.

The year saw an elevated level of natural catastrophe and weather-related claims. According to Swiss Re Institute, natural catastrophes caused estimated global insured losses of USD 105 billion in 2021, the fourth highest since 1970. Major events included Storm Uri and Hurricane Ida in the U.S., flooding in Germany and a series of other weather events in Europe. For the Group this resulted in USD 806 million of catastrophe losses in excess of the anticipated level of 3.5% of NEP.

Investment income was USD 52 million below prior year levels driven by the earn through of lower yields. The performance of the Group's hedge fund portfolio led to realized capital gains of USD 42 million, compared to USD 305 million in the previous year.

The net non-technical loss of USD 183 million compares to a loss of USD 302 million in the previous year. The improvement was primarily driven by a gain from the disposal of a real estate asset previously held for own use. The net non-technical result also included USD 30 million of losses in Cover-More, compared to USD 46 million in FY-20, with a further loss of USD 27 million recognized within the underwriting result.

Slide 21: P&C – Combined ratio details

The FY-21 combined ratio of 94.3% was 4.1 percentage points better than in the previous year. This was driven by a 1.9 percentage points improvement in the accident year combined ratio excluding catastrophes and COVID-19, as well as more favorable prior year development, and 0.6 percentage points of frequency benefits, net of the impact of COVID-19 related claims, Cover-More operating losses, premium rebates and voluntary actions to support customers, compared to an adverse COVID-19 impact of 1.8 percentage points in the previous year.

The accident year loss ratio excluding catastrophes improved by 0.6 percentage points to 59.0%, reflecting 1.3 percentage points of underlying improvement driven by the earn through of rate increases, partially offset by a lower contribution from COVID-19 frequency benefits net of premium rebates and voluntary actions, which declined from USD 371 million in FY-20 to USD 253 million in FY-21.

Catastrophes and weather-related losses totaled 6.4% in the full year, compared to a catastrophe loss ratio of 8.5% in FY-20, or 5.3% excluding COVID-19 claims.

Prior year development of 2.2% was slightly above the indicated 1-2% range. All regions had favorable development, most notably North America driven mainly by workers compensation. Despite the higher prior year development, overall Group reserve strength increased over the year.

The expense ratio of 31.2% was 0.8 percentage points lower than in the previous year, mainly driven by an improvement of the other underwriting expense ratio reflecting continued expense discipline and top-line growth. COVID-19 did not have a material impact, while the previous year was affected by the volume impact of premium refunds.

Slide 22: P&C – Combined ratio by segment and customer unit

In EMEA, the accident year combined ratio ex-catastrophes improved by 1.5 percentage points after removing the impact of COVID-19 related frequency benefits net of premium rebates and voluntary actions to support customers during the pandemic. The reduction was driven by loss ratio, with all major countries contributing to the improvement.

In North America, the accident year combined ratio ex-catastrophes, excluding the above mentioned COVID-19 impacts, improved by 2.0 percentage points to 87.0%, driven by both loss and expense ratio. Crop insurance accident year ex-catastrophes combined ratio in FY-21 was better than the normal expectation of around 95%. Excluding crop insurance, North America accident year combined ratio ex-catastrophes and COVID-19 improved by close to 1.5 percentage points year on year.

The Asia Pacific accident year combined ratio ex-catastrophes and excluding COVID-19 improved by 0.4 percentage points to 94.0% with the higher loss ratio driven by changes in business mix and adverse experience in commercial, more than offset by improved expense ratio.

In Latin America, the accident year combined ratio ex-catastrophes and excluding COVID-19 was 96.2%, 2.0 percentage points better than in the previous year, with the improvement driven by expense ratio, reflecting changes in business mix and a reduction of other underwriting expenses.

Commercial Insurance continued to deliver strong underlying performance, with the accident year combined ratio excluding catastrophes and COVID-19 impacts improving by 2.7 percentage points to 88.2% benefiting from the earn through of rate increases.

For the Retail and SME business, the accident year combined ratio excluding catastrophes and COVID-19 remained strong at 93.8%, with a modest increase in loss ratio offset by improved expense ratio.

Slide 23: P&C – Investment result

Investment income was USD 52 million below prior year mainly due to lower investment yields. Realized capital gains of USD 42 million were USD 262 million below the 2020 result driven by a less favorable hedge funds performance.

The book yield for debt securities reduced by 0.1ppts to 2.4% while reinvestment rates on debt securities increased by 0.2ppts to 1.8%. The gap between book yield and reinvestment rate for debt securities decreased from 0.9bps to 0.6bps throughout the year mainly because of recovering yields in the U.S.

Slide 24: Life – Business operating profit

The Group's Life business delivered a BOP of USD 1,812 million, 27% ahead of the prior year. Excluding COVID-19 effects, Life BOP grew 26% driven by the Group's continued focus on protection and capital light saving products. This, together with portfolio management actions and favorable claims experience, led to margin improvements in Asia Pacific and Europe, which were supported by profitable growth in Latin America and Europe and positive markets. Other drivers were positive one-off benefits of around USD 150 million which were largely related to EMEA driven by favorable reserve releases, assumption updates and other one-offs. We continue to actively manage our business and look for opportunities to extract value from our in-force portfolio.

In EMEA, Life BOP improved by 27% to USD 1,197 million on a reported basis. Adjusted for COVID-19, Life BOP increased by 16% to USD 1,273 million. Switzerland's BOP improved as a result of growth in higher-margin individual life business together with a positive claims experience largely related to a favorable reserve release. Italy and Ireland delivered strong and profitable growth in unit-linked products and benefited from favorable market impacts. Germany's BOP increased due to favorable economic assumption updates and other positive one-offs, while the UK benefited from loss reserve reviews and profitable growth in protection.

In Latin America, BOP increased 1% to USD 222 million on a reported basis. Excluding COVID-19 claims, BOP grew by 43% driven by profitable sales through Zurich Santander together with a positive run-off development of a large corporate protection scheme in Chile benefiting from favorable market conditions.

Asia Pacific contributed a BOP of USD 352 million, up 81 million versus the prior year excluding COVID-19 effects. The performance improved significantly due to re-pricing and portfolio improvement actions in Australia and better investment returns.

In North America, which is reported under Other and excludes Farmers Life, BOP increased by USD 43 million on a reported basis due to better claims experience and the sale of the group life business.

Slide 25: Life – Premiums, net inflows and assets under management

In the Group's Life business, gross written premiums and deposits were up 3% in 2021 compared to the prior year on a reported basis, and relatively flat on a like-for-like basis, adjusting for currency movements, acquisitions, and disposals.

Net inflows of USD 6.0 billion were 39% higher than in the prior year. On a like-for-like basis net inflows increased by 45%, mainly benefiting from growth in EMEA, North America and Asia Pacific.

Assets under management (AuM) decreased by around 3 percentage points, driven by unfavorable currency movements and the reclassification of AuM as held for sale related to the sale of the Italian life and pension back book. These effects were partially offset by the impact of favorable market developments and positive net inflows.

Slide 26: Life – New business and new business mix

During 2021, Life new business annual premium equivalent (APE) sales increased by 5% on a like-for-like basis. The growth in sales reflects favorable growth momentum in unit-linked business and protection products, partially offset by a strong reduction in savings and annuity business. On a reported basis APE was 5% higher.

In EMEA, APE sales increased by 5% on a like-for-like basis, compared with the same period in 2020. This was mainly driven by strong growth of unit-linked business in Ireland, Italy and Switzerland and favorable APE sales of protection products in Spain, Switzerland and the UK. These factors were partially offset by the reduction in corporate savings business in Switzerland due to the COVID-19-related economic slowdown at the beginning of the year and competitive market conditions, as well as by lower sales of traditional life products in Germany and Italy.

APE sales in Latin America increased 7% on a like-for-like basis, reflecting higher sales volumes of individual protection products at Zurich Santander and strong growth of unit-linked business in Chile and Brazil. These were partially offset by the run-off of a large corporate life and protection account in Chile.

In North America, APE sales increased 35% on a like-for-like basis, excluding the group life business which was sold in the prior year. This was primarily driven by growth in unit linked business. In Asia Pacific, lower sales in Japan, Australia and Indonesia led to a decline of 10% on a like-for-like basis. The decline in Australia was in part due to repricing actions to improve margins.

The new business margin increased to an attractive level at 29.1% as reported and on a like-for-like basis. New business value (NBV) went up 21% on a like-for-like basis, driven by higher volumes and a more favorable sales mix in EMEA and Latin America. On a reported basis NBV improved by 22%.

The Group continues to focus on protection, unit-linked and corporate savings business, with these products accounting for more than 90% of APE sales. Protection business contributed around 75% of the total NBV.

Slide 27: Life – Investment result

The Life investment result, which is gross of policyholder sharing, increased by 11% to USD 3.6 billion, driven by higher capital gains, favorable FX movements and higher rates compared to prior year.

Slide 28: FMS – Overview

Farmers Management Services (FMS) BOP increased 12% compared to the prior year and 5% on a like-for-like basis after adjusting for the first-time inclusion of the acquired MetLife U.S. P&C business. This was mainly driven by growth in the premium base of the Farmers Exchanges.

The managed gross earned premium margin for the full year was 6.6% while the underlying business returned to the usual level of 7%.

As indicated at the time of the announcement of the MetLife U.S. P&C acquisition, the net margin on the acquired business was lower than for the existing Farmers business, reflecting a combination of higher initial expense levels and integration costs related to achieving expense synergies. As synergies are achieved, the margin on the acquired business is expected to steadily increase towards that of the existing Farmers business in 2023.

The result was also impacted by lower investment and other income resulting from decreasing investment yields, an unfavorable mark to market impact on a deferred compensation plan, and deal related costs related to the closing of the MetLife U.S. P&C acquisition.

Slide 29: Farmers Life and Farmers Re – Overview

Farmers Life BOP of USD 84 million was 16% lower than in the prior year. The result was mainly driven by higher mortality including USD 121 million of claims related to COVID-19. Mortality experience remained elevated over 2021.

Farmers Life new business APE was 4% higher than in the prior-year period driven by lower sales in 2020 from the impact of the pandemic. New business value decreased 9% due to assumption updates. As a result, the new business margin decreased by 19.6ppts to 142%.

Farmers Re BOP of USD -1 million was USD 26 million lower than in the prior year driven by catastrophe losses and unfavorable prior year development related to older accident years when Farmers Re had a higher proportion of ceded business from the Farmers Exchanges under the all-lines quota share.

As of December 31, 2021, Farmers Re increased its quota share agreement with the Farmers Exchanges from 1.00% to 1.75%.

Slide 30: Group Functions and Operations & Non-Core Businesses – BOP

Group Functions and Operations reported net expenses of USD 806 million compared to USD 709 million in the prior year period. This was mainly driven by an increase in charges related to Holdings and Financing due largely to financing and foregone investment income related to the acquisition of the MetLife U.S. P&C business and unfavorable currency movements.

The Group's Non-Core Businesses, which comprises run-off portfolios that are managed with the intention of proactively reducing risk and releasing capital, reported an operating loss of USD 1 million, an improvement of USD 53 million. The result benefited from the absence of adverse developments in a legacy life portfolio linked to the COVID-19 outbreak in the prior year period.

Slide 31: Group – Solvency

As of Q4-21, the Group's Swiss Solvency Test (SST) ratio calculated based on the Group's Internal Model as approved by the Swiss Financial Market Supervisory Authority FINMA was estimated at 212%, well above the Group's target for the SST to be of 160% or above.

The Group's SST ratio increased by 31 percentage points. Operating capital generation net of incremental capital for growth equated to 17 points before around 3 points of negative impact of higher than normal levels of natural catastrophes and COVID-19 losses. Market movements led to a 33 points increase in the ratio reflecting 16 points from higher yield curves, 9 points from favorable equity markets and 7 points from positive currency movements and other market impacts. Capital actions including the accrual of the full year 2021 dividend and the acquisition of the MetLife U.S. P&C business net of external financing reduced the SST ratio by 19 points. De-risking initiatives to reduce the equity exposure had a positive impact of 4 points, while unfavorable assumption and model updates reduced the SST ratio by 1 point. No allowances have been made for the sale of the Italian life and pension back book which is subject to regulatory approval or the redemption of USD 1bn of subordinated debt in January 2022.

Slide 32: Group – Balance sheet and capital structure

Shareholders' equity declined by USD 0.4 billion compared to year end 2020, mainly driven by the payment of the Group dividend of USD 3.2 billion in the second quarter, a decrease of USD 2.1 billion in net unrealized gains and unfavorable FX movements of USD 0.9 billion, which were only partially offset by net income attributable to shareholders of USD 5.2 billion.

During 2021, the overall proportion of subordinated debt increased by 3 percentage points in the Group's capital structure. This mainly results from the net new issuances of around USD 1.2 billion subordinated debt for the financing of the MetLife U.S. P&C business in the first of half of 2021 and the successful placement of USD 500 million subordinated debt in relation to refinancing needs of 2022.

Disclaimer and cautionary statement:

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